



# 2005 Default Aversion Best Practices Symposium

*Livonia, Michigan*  
*March 29, 2005*



*360 Degrees of Financial Literacy*



# Five Steps To Get Yourself – And Others – Financially Fit

*Carl George, CPA*

*Chair, National CPA Financial Literacy  
Commission*

*CEO, Clifton Gunderson LLP*



*360 Degrees of Financial Literacy*



# 1. Learn About America's Financial Crisis

- Financial literacy is a national problem.
- It affects every income level and social class.
- It affects young and old.
- It's color blind.
- It impacts individuals, families, businesses, communities, states and the Federal Government.



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# Some Startling Statistics

- In 2003, 1.6 million Americans filed for bankruptcy, the highest amount in history. (Amer. Bankruptcy Inst.)
- 43% of American families spend more than they earn. (Federal Reserve)
- Americans carry an average credit card debt of more than \$8,500. (Motley Fool)
- The average American family saw its credit card debt grow by 53% in the 1990s. (Demos)
- College students carry an average of three credit cards with a total balance of \$2,748. (Nat'l Center for Educ. Stat.)



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# Roper Poll

- Designed to assess financial planning knowledge and sense of financial security among Americans.
- Confirmed other national studies showing serious need among Americans for financial education.

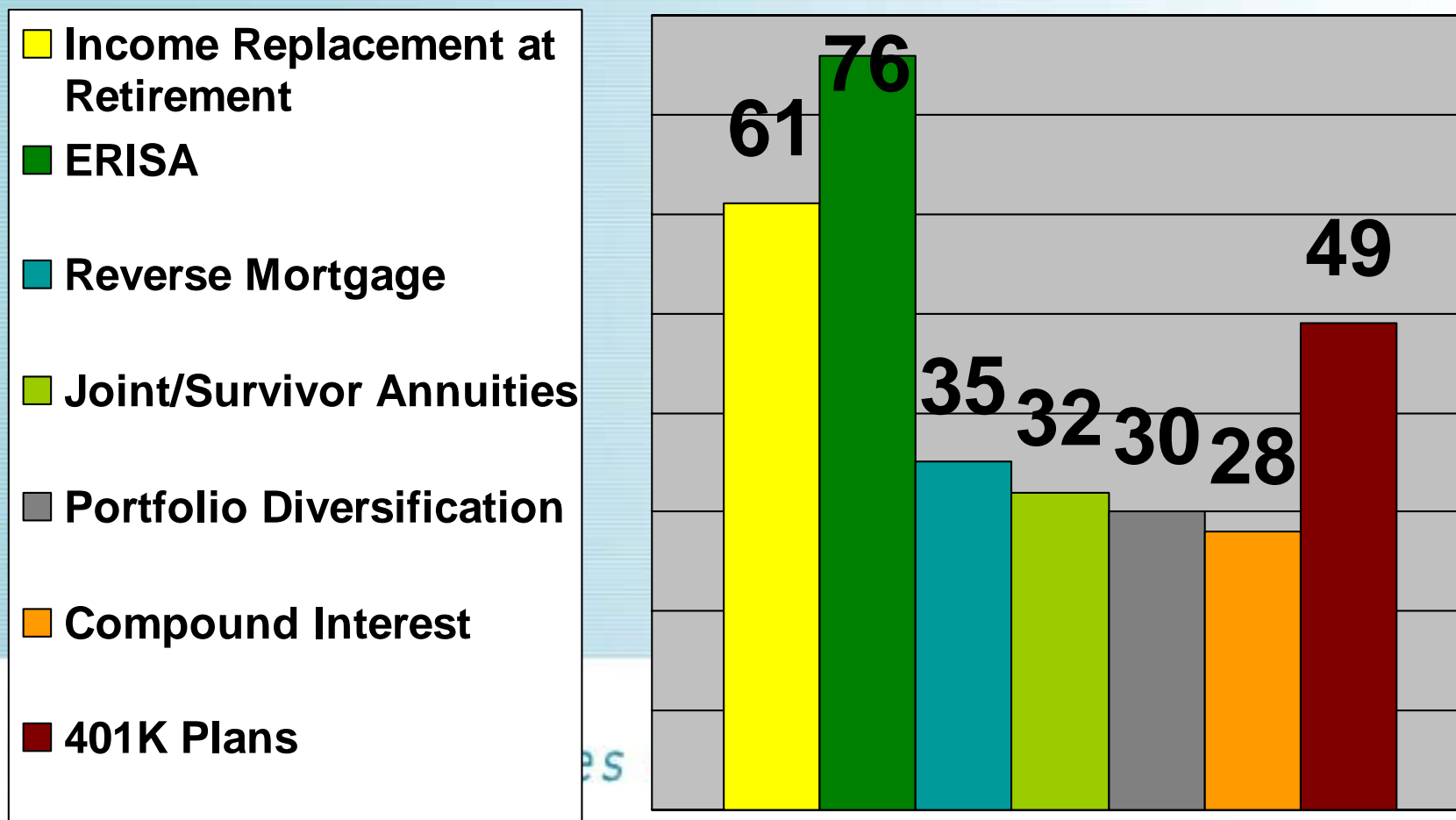
AICPA, May 2004



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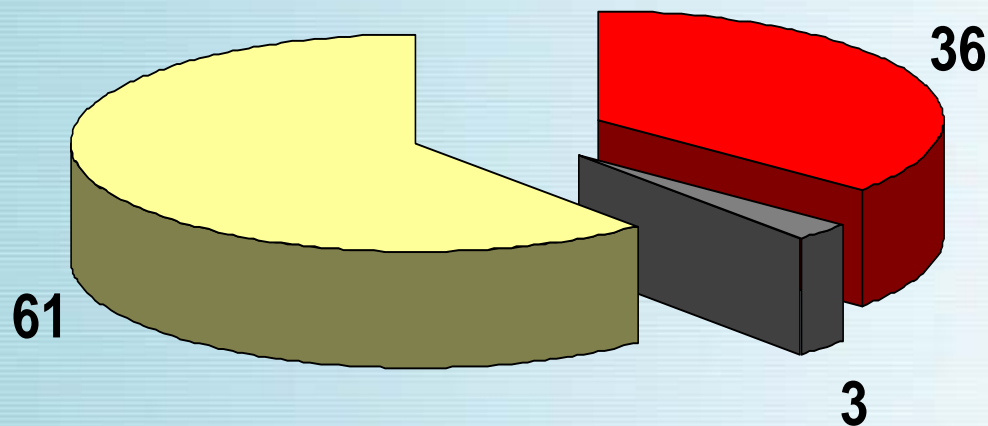


# Percentage who have never heard of key financial terms...





# One in Three Americans In Two-Income Households Don't Have Financial Contingency Plans Should They Lose One Income



■ No, do not ■ Don't Know ■ Yes, have plan



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# Financial Emergencies Would Put Many in Debt

Asked how they would handle medical emergency costs in excess of \$15,000 not covered by insurance, Americans said they would resort to:

- Borrowing (24%),
- Cashing in investments (15%)
- Using a credit card (11%)







# Not Prepared for Unexpected Major Expenses

Asked how they would handle a financial emergency they couldn't manage on their own, Americans would:

- Borrow money from their family (51%)
- Sell their house, car, or other thing of value (49%)
- File for bankruptcy (24%)





# Financial Literacy is...

The ability to read, analyze, manage and communicate about the personal financial conditions affecting material well-being. It includes the ability to make financial choices, understand money and financial issues, plan for the future and respond to life events.

From: "Personal Finance and the Rush to Competence"



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## 2. Get Involved in Financial Education – It Works!

- People who even start thinking about financial planning save twice as much as those who do not. (Consumer Federation)
- Students who participated even in a personal finance game had an average test score of 2% higher than those who did not. (Jump\$tart)
- In a study among the working poor, participants saved \$1.00 or more for every additional hour of financial education they received and they spent less on food and reduced consumption. (Consumer Federation)



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### 3. Explore the 360 Degrees of Financial Literacy Resources

- 360 Degrees of Financial Literacy is a national effort of the CPA profession to improve the financial understanding of Americans.
- CPAs, through local programs across the U.S., are teaching community members about personal finance and money management.



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# Why CPAs?

- Helping Americans achieve financial well-being fits perfectly with the CPA's public interest role.
- CPAs have the knowledge, expertise and relationship to companies, clients and communities to make a difference.



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# 360 Degrees of Financial Literacy

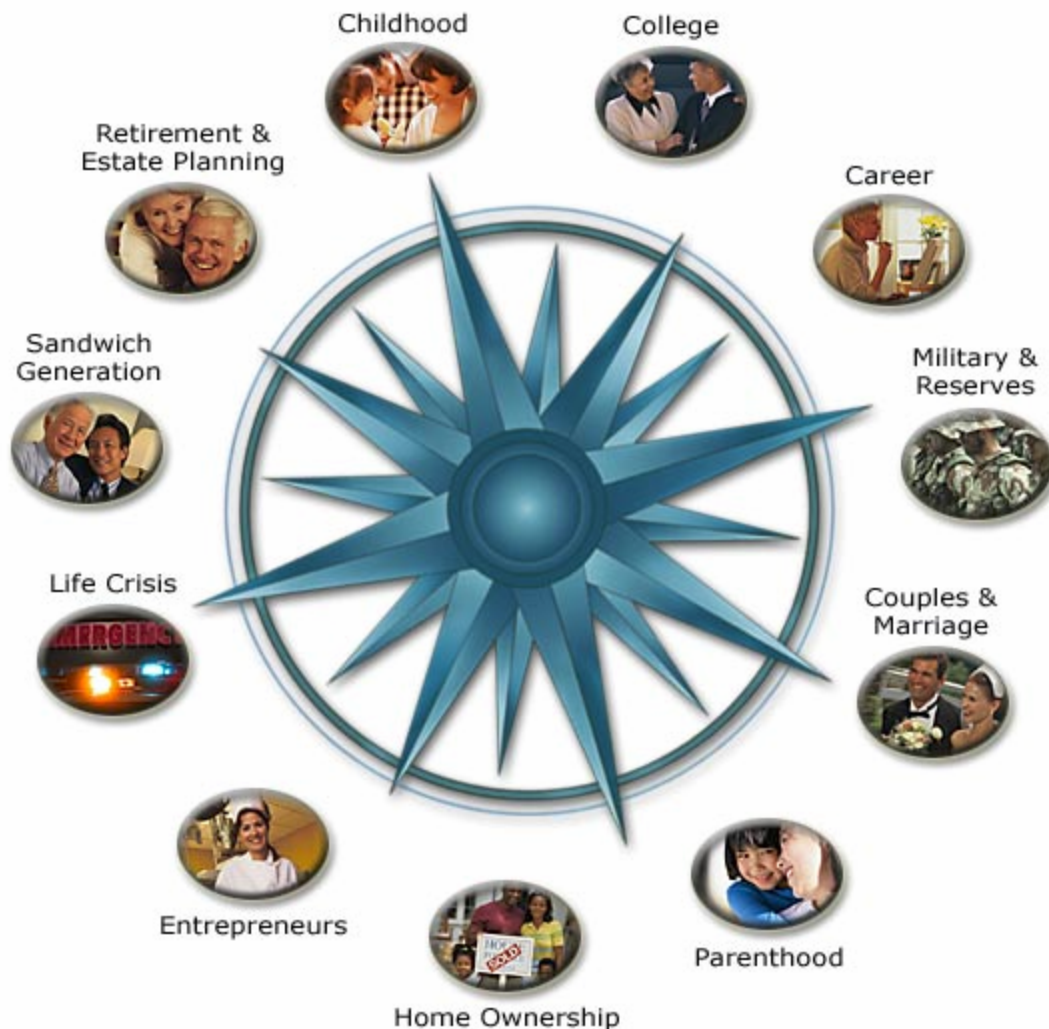
## Life Stages

- Childhood
- College
- Career
- Military & Reserves
- Couples & Marriage
- Parenthood
- Home Ownership
- Entrepreneurs
- Life Crisis
- Sandwich Generation
- Retirement

## Financial Topics

## Related Links

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**Go To:**

**[www.360financialliteracy.org](http://www.360financialliteracy.org)**



# 360 Degrees of Financial Literacy



College is a time of new found freedom for many students. But that can spell trouble if that freedom applies to personal finances too. Students need to understand basic money management skills such as living within a budget and handling credit and debt. A solid financial foundation can lead to a lifetime of financial success.

[Articles](#)[Tools](#)[FAQs](#)

## Articles

### Budgeting Basics

[Freshman Finance 101: Money Management Skills for College students](#)

### Choosing a College

[Research tips when choosing a college](#)[The college application process](#)

### Credit and Debt

[College students and credit cards: What you don't know can hurt you](#)

### Going to College as an Adult

[Going back to school as an adult](#)

### Insurance Issues

[Insurance Check-up for College Bound Students](#)

### Paying for College

[ABCs of financial aid](#)[Can I afford to send my child to college?](#)[Finding money to pay college bills out of pocket](#)[Saving for retirement and a child's education at the same time](#)[Saving on College Housing Costs](#)[Sticker shock--creative ways to lower the cost of college](#)

## Life Stages

[Childhood](#)[College](#)[Career](#)[Military & Reserves](#)[Couples & Marriage](#)[Parenthood](#)[Home Ownership](#)[Entrepreneurs](#)[Life Crisis](#)[Sandwich Generation](#)[Retirement](#)

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# Over 300 Articles

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### **ESTABLISHING A BUDGET**

Do you ever wonder where your money goes each month? Does it seem like you're never able to get ahead? If so, you may want to establish a budget to help you keep track of how you spend your money and help you reach your financial goals.

#### **Examine your financial goals**

Before you establish a budget, you should examine your financial goals. Start by making a list of your short-term goals (e.g., new car, vacation) and your long-term goals (e.g., your child's college education, retirement). Next, ask yourself: How important is it for me to achieve this goal? How much will I need to save? Armed with a clear picture of your goals, you can work toward establishing a budget that can help you reach them.

#### **Identify your current monthly income and expenses**





# Over 500 FAQs

**I'm thinking about placing my mother in a nursing home. Will Medicaid pay for her care?**

**Answer:**

Medicaid may pay for your mother's nursing home care, but only if your mother is both medically and financially eligible for benefits. Because Medicaid is both a federal and state program, eligibility rules vary from state to state. In general, however, your mother must be (1) at least age 65, or disabled, or blind, and (2) her income and the value of her assets must also fall below certain limits.

Even if your mother's income exceeds the allowable limits in her state, she may still be able to qualify for Medicaid. For instance, if she lives in a spend-down state, she will be required to spend her monthly income, less a small personal allowance, on nursing home costs. Medicaid will then pay the balance (if any) of the nursing home bill.

In addition, even if your mother holds substantial assets, she may still qualify for Medicaid if she gives those assets away or holds them in certain types of trusts. This is because assets that are inaccessible to her are not countable for Medicaid purposes. However, although a proper transfer of assets will preserve these assets for her loved ones, the transfer may also create a period of ineligibility before she can collect Medicaid. Be careful about any asset transfers, as federal legislation now exists that prohibits transfers specifically to qualify for Medicaid.

Because the rules surrounding Medicaid eligibility are complex, consult an attorney who specializes in Medicaid law before deciding to place your mother in a nursing home. Also, the particular nursing home must be approved by and accept payments from Medicaid. Not all nursing homes do.

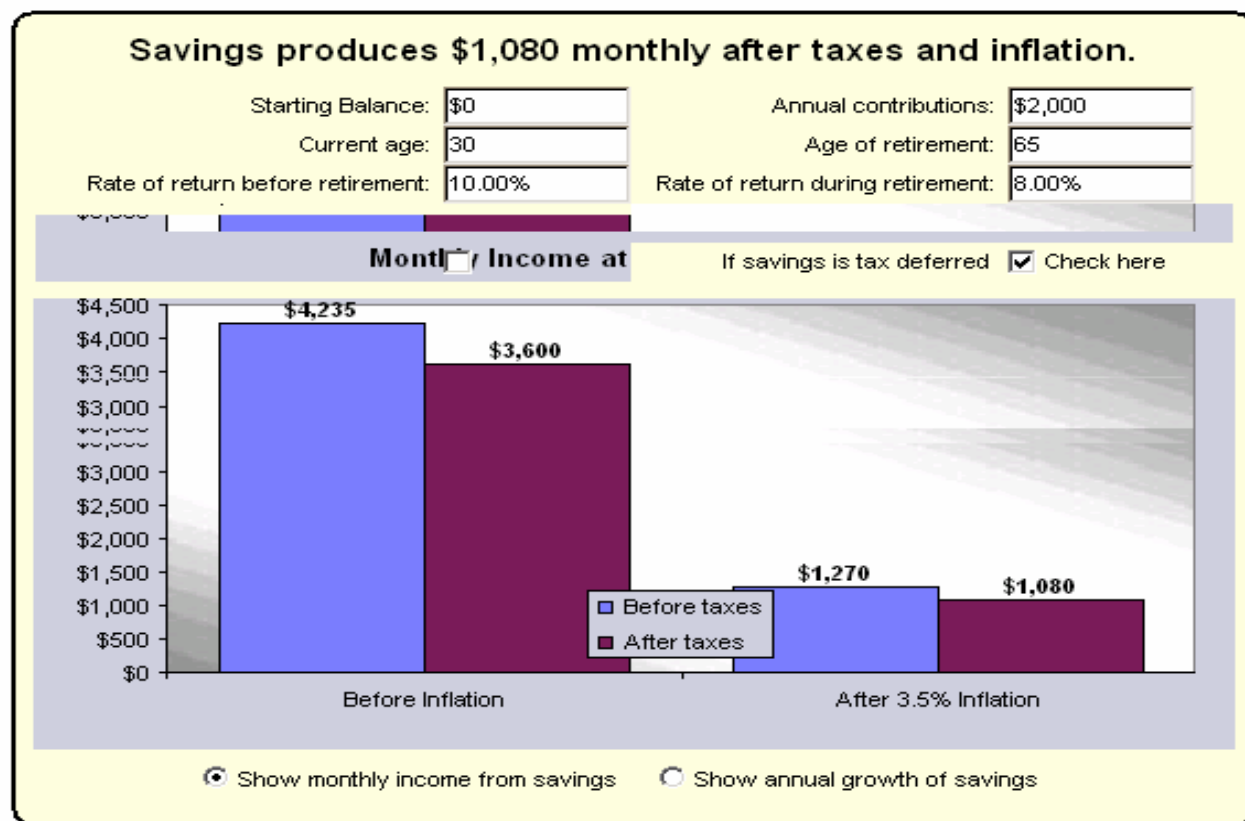


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# Over 260 Financial Tools

Use this calculator to determine how much monthly income your retirement savings may provide you in your retirement. Your annual savings, expected rate of return and your current age all have an impact on your retirement's monthly income. View the full report to see a year by year break down of your retirement savings.





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### Life Stages

- ☒ Childhood
- College
- Career
- Military & Reserves
- Couples & Marriage
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- Home Ownership
- Entrepreneurs
- Life Crisis
- Sandwich Generation
- Retirement

### Financial Topics






### Related Links

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For some parents, talking to a child about money is almost as hard as broaching some of those other difficult subjects. But understanding what money is and how to manage it is a crucial life skill parents must pass on to their children. It's never too early to start giving your child a solid foundation for making a lifetime of financial decisions.

[Articles](#)[Tools](#)[FAQs](#)


### Articles

-  [Investing ABC: Teaching your kids about stocks](#)
-  [Teach your teenager how to manage a summer salary](#)
-  [Teaching your child about money](#)
-  [Teaching your college-age child about money](#)
-  [Teaching your teen about money](#)

### Tools

-  [Business Building Block](#)
-  [Penny Wise](#)

### FAQs

-  [My 6-year-old son has been doing a very good job of picking up his toys and keeping his room straightened. I'd like to reward him for good behavior, but is it too early to start giving him an allowance?](#)

**Download video programs for middle and high school students**

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--Site best viewed with browsers version 4, or above--

AICPA, 1211 Avenue of the Americas, New York, NY 10036



# Education Toolkits Available— [www.aicpa.org/financialliteracy](http://www.aicpa.org/financialliteracy)

**360 Degrees of Financial Literacy**

**CPA Mobilization Kit: Parenthood**

**Achieving Your Financial Goals**

When you get down to it, achieving your financial goals is not about creating a plan and sticking to it. Without goals and a specific plan to meet them, you drift along and leave your future to chance. As the saying goes, "Most people don't plan to fail; they just fail to plan."

The following strategies will help you plan for wealth creation—a bright future for you and your family.

**SET CLEAR GOALS**  
Establishing financial goals should be the first step in the financial planning process. Think about your future and what you want to achieve. Set goals that are specific, measurable, achievable, relevant, and time-bound. Write them down and review them regularly to ensure you are on track.

**CREATE AN EMERGENCY FUND**  
Financial experts recommend that you have three to six months of living expenses set aside to cover any unexpected expenses. This fund should be in a separate account, easily accessible, and not used for anything else.

**CONSIDER YOUR TAX SITUATION**  
Understanding how taxes affect your income is crucial. Consult with a tax professional to explore deductions and credits that can reduce your tax liability. Consider the impact of capital gains taxes on investments.

**INVEST FOR THE FUTURE**  
Investing is a key strategy for growing wealth over time. Diversify your investments across different asset classes, including stocks, bonds, and real estate. Consider the power of compound interest and the importance of starting early.

**REVIEW AND ADJUST**  
Financial planning is not a one-time event. Regularly review your financial situation and adjust your plan as needed. Life changes, and your financial goals should evolve with you.

**CPA Mobilization Kit: Parenthood**

**Teaching Your Children Money Management**

**ELEMENTARY SCHOOL**  
Children in elementary school should learn basic money management skills, including concepts related to the value of money, earnings and savings. Teaching good habits early can pave the way for solid financial skills through the remainder of a child's life.

- Parents can begin to teach children as young as two years old about saving money with a piggy bank. This helps children see the fruits of their labor.
- It's never too early to start a savings account for a child. Involve your child in making deposits, looking at the balance and noting any interest earned. The connection that money can grow by saving it will come naturally.
- Some parents like to assign basic household chores or special projects that small children can do to earn dimes, quarters and dollars.
- Have your child save money to buy a particular item that they really want. Perhaps they can earn the money by completing extra chores. This is another way to teach the rewards of saving money and self-discipline.

**MIDDLE SCHOOL**  
Children in middle school can start to take on more responsibility and make some of their own decisions when it comes to money.

- If you haven't yet, open a bank account with your child. Many banks

• Take your child shopping. The grocery store is a great place to learn about comparison shopping. Encourage your child to compare items and prices to help you determine how to get the best value for your shopping dollar. Expand this concept to as many areas of your child's life as possible, and when possible, allow your child to make decisions on his or her own.

• Help your child understand the difference between needs and wants. The next time your child needs an iPod or a \$150 pair of sneakers, try this activity. Take index cards or scraps of paper and have your child write down all those items they "need." Then, sort the cards, distinguishing between needs and wants and talk about how that plays out in your household budget. What are the items you spend your salary on that are needs (rent/mortgage, food, insurance) and what are wants (new furniture, stereo, costly vacations)? And note that it's not clear cut. You need housing, but often you don't need to spend 95 percent of your take-home pay to live in the largest house in town. Also, be sure to explain that wanting something is not bad, but you need to budget and save for special purchases. The distinction between needs and wants is essential to having good money management skills.

• Encourage your child to think about others by donating time and money to a worthy cause.

**CPA Mobilization Kit: Parenthood**

**Protecting Your Family With Health and Long-Term Disability Insurance**

Health insurance has become an increasingly important and expensive line of defense for a family. It's a very important role in protecting your family's physical and financial well-being. Without adequate health insurance coverage, a major illness or accident could wipe out your savings and put you into debt.

Work with your employer's benefits group to understand the options available to you. Compare the costs of different plans and consider the impact of deductibles, co-payments, and out-of-pocket maximums. If you are self-employed, you may want to consider purchasing individual health insurance.

Long-term disability insurance is another critical component of your family's financial protection. It provides a steady stream of income if you are unable to work due to a long-term illness or injury. Consider the impact of waiting periods, benefit amounts, and the ability to return to work.

Regularly review your insurance policies to ensure they remain adequate for your family's needs. Consider the impact of inflation and the potential for changes in your family's financial situation.





# Contact Your State CPA Society– Local Programs Offered Across the U.S.

helenair.com

## Independent Record

**"Operation CPA" will offer help to soldiers' families**

By JOHN HARRINGTON • Business Editor • 11/20/04

In addition to the emotional and potential physical tolls that a National Guard deployment can have on a Montana family, there are also the day-to-day issues of getting the bills paid and keeping the home finances in good order.

Enter the Montana Society of Certified Public Accountants. Working with the Helena office of the Montana Army National Guard Family Assistance Center, the accountants' group is offering its expertise to families that have seen members deployed. "Operation CPA" is a forum for military families to get answers to questions about taxes, investments, the Soldiers and Sailors Civil Relief Act and more.

For example:

- A soldier has to buy new boots and fatigues for deployment. Is the \$500 cost tax-deductible?
- A soldier buys a PDx to take to Iraq in order to stay in closer touch with family at home. Should he save the receipt for tax time?

With her husband gone, a wife has to insure the \_\_\_\_\_

**NSCPA**  
NATIONAL SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

**MANAGING YOUR FINANCES**

Established by the NSCPA Financial Planning Committee, the members of the team (and other experts) are available to provide financial and tax advice to individuals and those in financial need.

**Services Offered:**

- Free Financial Assistance for Military Families:** The NSCPA offers a free financial planning service to military families who are active or retired.
- Free Family Life Planning Services:** The NSCPA offers a free family life planning service to military families who are active or retired.
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- Free Family Life Planning:** The NSCPA offers a free family life planning service to military families who are active or retired.



## Accounting for Kids™

A time to give back

## FINANCIAL

*Fitness* \$\$

The Virginia Society of Certified Public Accountants



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## 4. Get Free Financial Advice for Those in Need— [www.consultaplanner.org](http://www.consultaplanner.org)

PROJECT FOR  
**FINANCIAL** INDEPENDENCE



Providing free financial  
guidance to individuals in need

Information for  
the General Public

For Charitable  
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For Financial  
Advisors

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Site Map

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Welcome to  
Project for Financial Independence



## PROJECT FOR FINANCIAL INDEPENDENCE



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## Charitable organizations: help for the people you serve

If your organization has clients in need of pro bono financial planning assistance, please take the following steps:

- Start by reading the [criteria that define who qualifies](#) for pro bono assistance.
- Prepare a brief statement of your typical clients' needs (basic money management, debt management, victim of a serious illness, addictive spending, etc.) and indicate where the need exists (city and state, or a national need).
- E-mail your statement to our [webmaster](#), including your organization's name and your name, address, telephone number, fax number, and e-mail address.

You will then be contacted with information about posting your needs on this Web site. Pro bono financial planners from within the financial planning community will then be able to respond to your needs based on their availability and skill sets.

## To Learn More

[Click here to find out how pro bono financial planning can assist your clients with their personal financial needs.](#)

Or perhaps you still have some unanswered questions. [Our FAQs should help answer any questions you have about the Pro Bono Financial Planning Program.](#)

If you are a charitable organization already participating in the Project for Financial Independence, you now can download the following support materials:

[Information for National Charitable Organizations](#)

[Toolkit for Local or Community-Based Organizations](#)

[Toolkit for Clients](#)





## PROJECT FOR FINANCIAL INDEPENDENCE



Providing free financial  
guidance to individuals in need



### Do you qualify for "pro bono" financial planning assistance?

#### Based on Income

Many individuals may qualify for pro bono assistance. One way to determine if you qualify is by looking at total annual income for your household. The chart below lists the most income you can have based on the size of your family to still qualify for pro bono assistance.

Number in Household	Maximum Annual Income
One person	\$9,500
Two people	\$12,500
Three people	\$14,500
Four people	\$18,500
Five people	\$22,500
Six people	\$25,500
Seven people	\$29,500
Eight people	\$33,000

### What to Do if You Qualify

If you believe you may qualify for pro bono financial planning assistance, then [click here for steps to follow](#).

### What if You Don't Qualify?

There are many things you can do to help yourself meet short- and long-term financial challenges. To learn more, [click here to visit the Consumer Resources section of this Web site](#).

Information for  
the General Public

For Charitable  
Organizations

For Financial  
Advisors

Who We Are

Crisis Hotline

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# USA Today On-Line Chat Series with AICPA

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## Talk Today

Interact with people in the news

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09/27/2004 - Updated 08:13 PM ET

### Personal finance: Daniel C. Thomas

***Thursday, October 28, 1 p.m. ET***



**Daniel C.  
Thomas**

Wondering where you should put your money or whether your financial plans are on the right track? Are you worried you won't have enough money to afford retirement? Daniel Thomas of Newport Beach, California, can help. Daniel is a certified public accountant (CPA), a Personal Financial Specialist (PFS) and a certified financial planner (CFP). He is managing partner of Thomas & Thomas and has 21 years of experience specializing in tax, financial planning and consulting services. Submit your questions now.



## 5. Build a Coalition in Your Own Industry

- National CPA Financial Literacy Commission
  - Leading the CPA profession in the national effort to advance the financial literacy of Americans.
- Grassroots Mobilization Team
  - Focused on getting CPAs involved at the grassroots, community level



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## For More Information

E-mail: [financialliteracy@aicpa.org](mailto:financialliteracy@aicpa.org)

Consumer Web Site:

[www.360financialliteracy.org](http://www.360financialliteracy.org)

Resource Center: [www.aicpa.org/financialliteracy](http://www.aicpa.org/financialliteracy)



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